The Mortgage Business Public Limited Company

Annual report and financial statements for the year ended 31 December 2017

Registered office

Trinity Road
Halifax
United Kingdom
HX1 2RG

Registered number

01997277

Current directors

R W Fletcher
C Gowland

Company Secretary

P Gittins

Strategic Report

For the year ended 31 December 2017

The directors present their strategic report and the audited financial statements of The Mortgage Business Public Limited Company ("the Company") for the year ended 31 December 2017.

Review of strategy and the business model

The Company is a public limited company incorporated and domiciled in England and Wales (registered number: 01997277).

The principal activity of the Company is the administration of residential mortgages. In 2008 the Company withdrew from the secured mortgage market and no longer offers new mortgages, other than further drawdowns on existing loans. Also in 2008 the Company entered into a securitisation arrangement with Deva Financing plc, a special purpose entity created for this purpose. The risks and rewards of the securitised assets are substantially retained by the Company and continue to be recognised in the Statement of Financial Position.

The Company is funded entirely by other companies within the Lloyds Banking Group ("the Group").

Review of the business

The results for the year are set out in the Statement of comprehensive income. The Company's profit before tax for the financial year was £125,674k (2016: £88,165k) which has increased compared to the prior year, primarily due to an in year reduction to the provision for impaired loans.

The performance of the Company is assessed by management using key performance indicators based on the performance of the mortgage portfolio. These primarily consist of interest received and impairment provisions on loans and advances to customers.

Interest receivable in the year was £233,017k which decreased from £270,636k in 2016 due to loans to customers steadily reducing to £5,712,822k in the year (2016: £6,475,376k) as the mortgage book continues to run off.

The (credit) / charge to the Statement of comprehensive income for impairment losses for 2017 is £(25,209)k compared to £16,170k in 2016. The impairment provision has decreased from £222,493k in 2016 to £193,350k in 2017, reflecting the reduction in the balance of accounts in arrears or impaired.

Financial risk management

The key risks and uncertainties faced by the Company are managed within the framework established for the Group. The key risks surrounding credit, liquidity, markets and operations are discussed in note 16. There are no areas of concern that carry significant risks of causing material adjustments to the carrying value of the Company's assets and liabilities.

Future developments

The Company continues to administer a decreasing mortgage book and there are no current plans to change this in the future.

Employees

The Company has no employees (2016: £nil). It uses the services of its immediate parent undertaking for which a management fee, included in administrative expenses, is made.

General

The directors do not consider there to be any further material issues which need to be included in the strategic report.

Approved by the board of directors and signed on its behalf by:

Robert Fletcher

R W Fletcher
Director

20th April 2018

Directors' report

For the year ended 31 December 2017

The directors present their report and the audited financial statements for The Mortgage Business Public Limited Company (the "Company"), a Company registered in England, for the year ended 31 December 2017. The Company is a subsidiary of Lloyds Banking Group plc (the "Group").

Dividends

An interim dividend of £200,000k was paid during the year ended 31 December 2017 (2016: nil). No final dividend is proposed for 2017.

Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements are shown on the front cover. The following change has taken place between the beginning of the reporting year and the approval of the financial statements:

Paul Leslie Baker resigned as director of The Mortgage Business Public Limited Company on 28 March 2017.

Directors' indemnities

Lloyds Banking Group plc has granted to the directors of the Company, a Deed of indemnity through Deed poll which constituted 'qualifying third party indemnity provisions' for the purposes of the Companies Act 2006. The Deed was in force during the whole of the financial year and at the date of approval of the financial statements. Directors no longer in office but who served on the Board of the Company at any time in the financial year had the benefit of this contract of indemnity during that period of service. The indemnity remains in force for the duration of a director's period of office. The Deed indemnifies the directors to the maximum extent permitted by law. The Deed for existing directors is available for inspection at the registered office of Lloyds Banking Group plc. In addition, the Group has in place appropriate Directors and Officers Liability Insurance cover which was in place throughout the financial year.

Statement of directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets for the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Directors' report (continued)

For the year ended 31 December 2017

Statement on going concern

The Company is reliant on funding provided by Bank of Scotland plc ("BoS plc") which is a subsidiary of Lloyds Banking Group plc. The Directors are satisfied that it is the intention of Lloyds Banking Group plc that its subsidiaries including the Company will continue to have access to adequate liquidity and capital resources for the foreseeable future and, accordingly, the financial statements have been prepared on a going concern basis.

Financial risk management

The key risks and uncertainties faced by the Company are managed within the framework established for the Group. The key risks surrounding credit, liquidity, markets and operations are discussed in note 16. There are no areas of concern that carry significant risks of causing material adjustments to the carrying value of the Company's assets and liabilities.

Future Developments

Future developments are discussed in the strategic report on page 1.

Independent Auditors

PricewaterhouseCoopers LLP are deemed to be re-appointed as auditors under section 487 (2) of the Companies Act 2006.

Approved by the board of directors and signed on its behalf by:

Robert Fletcher

R W Fletcher
Director

20th April 2018

Independent auditors' report to the members of The Mortgage Business Public Limited Company

Report on the audit of the financial statements

Opinion

In our opinion, The Mortgage Business Public Limited Company's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Statement of financial position as at 31 December 2017, the Statement of comprehensive income, the Cash flow statement and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 2, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Claire Turner

Claire Turner (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
20th April 2018

Statement of comprehensive income

For the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Interest income		**233,017**	270,636
Interest expense		**(115,666)**	(156,528)
Net interest income	2	**117,351**	114,108
Fees and commission income		**136**	168
Impairment gains/(losses)	4	**25,209**	(16,170)
Administrative expenses	3	**(17,022)**	(9,941)
Profit before tax	5	**125,674**	88,165
Taxation	7	**(24,192)**	(17,633)
Profit for the year being total comprehensive income		**101,482**	70,532

All profit for the year being total comprehensive income is attributable to continuing operations.

The accompanying notes to the financial statements are an integral part of these financial statements.

Statement of financial position

As at 31 December 2017

	Note	2017 £'000	2016 £'000
ASSETS			
Other current assets	9	**4,134,026**	6,667,250
Loans and advances to customers	10	**5,519,472**	6,252,883
Total assets		**9,653,498**	12,920,133
LIABILITIES			
Borrowed funds	11	**9,363,544**	12,532,971
Other current liabilities		**2,237**	2,141
Provision for liabilities and charges	12	**21,439**	26,784
Current tax liability		**24,192**	17,633
Total liabilities		**9,411,412**	12,579,529
EQUITY			
Share capital	13	**10,000**	10,000
Retained profits		**232,086**	330,604
Total equity		**242,086**	340,604
Total equity and liabilities		**9,653,498**	12,920,133

The accompanying notes to the financial statements are an integral part of these financial statements.

The financial statements were approved by the board of directors and were signed on its behalf by:

Robert Fletcher

R W Fletcher
Director

20th April 2018

Statement of changes in equity

For the year ended 31 December 2017

	Share capital £'000	Retained profits £'000	Total equity £'000
At 1 January 2016	10,000	260,072	270,072
Profit for the year being total comprehensive income attributable to:			
- Owners of the parent	-	70,532	70,532
At 31 December 2016	**10,000**	**330,604**	**340,604**
At 1 January 2017	**10,000**	**330,604**	**340,604**
Profit for the year being total comprehensive income attributable to:			
- Owners of the parent	-	101,482	101,482
Dividend paid to equity holders of the Company	-	(200,000)	(200,000)
At 31 December 2017	**10,000**	**232,086**	**242,086**

The accompanying notes to the financial statements are an integral part of these financial statements.

Cash flow statement
For the year ended 31 December 2017

	2017 £'000	2016 £'000
Cash flows generated from operating activities		
Profit before tax	**125,674**	88,165
Adjustments for:		
- Interest expense	**115,666**	156,528
- (Decrease)/increase in Provision for liabilities and charges	**(5,345)**	6,484
Changes in operating assets and liabilities:		
- Net decrease in Loans and advances to customers	**733,411**	810,939
- Net decrease/(increase) in Other receivables	**14**	(1,130)
- Net increase in Other current liabilities	**96**	571
Cash generated from operations	**969,516**	1,061,557
Corporation tax paid	**(17,633)**	(45,936)
Net cash generated from operating activities	**951,883**	1,015,621
Cash flows used in financing activities		
Net Repayment of borrowings with Parent undertakings	**(956,177)**	(829,640)
Net Proceeds from/(Repayment of) borrowings with other related parties	**319,960**	(29,453)
Interest expense	**(115,666)**	(156,528)
Dividend paid	**(200,000)**	-
Net cash used in financing activities	**(951,883)**	**(1,015,621)**
Change in Cash and cash equivalents		
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents at end of year	-	-

The accompanying notes to the financial statements are an integral part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2017

1. Accounting policies

1.1 Basis of preparation

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied in both years presented, unless otherwise stated.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). IFRS comprise accounting standards prefixed IFRS issued by the International Accounting Standards Board (IASB) and those prefixed IAS issued by the IASB's predecessor body, as well as interpretations issued by the IFRS Interpretations Committee (IFRS IC) and its predecessor body.

The financial information has been prepared under the historical cost convention. As stated on page 3, the directors consider that it is appropriate to adopt the going concern basis in preparing the financial statements.

The following new IFRS pronouncement relevant to the Company has been adopted in these financial statements:

(i) Amendments to IAS7: Disclosure Initiative (issued January 2016). The amendments are intended to clarify IAS7 'Statement of Cash Flows' to improve information provided to users of financial statements about an entity's financing activities.

The application of this pronouncement has not had any impact for amounts recognised in these financial statements.

Details of those IFRS pronouncements which will be relevant to the Company but which were not effective at 31 December 2017 and which have not been applied in preparing these financial statements are given in note 18.

1.2 Revenue recognition

Interest income and expense are recognised in the income statement for all interest-bearing financial instruments using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense over the expected life of the financial instrument. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability, including early redemption fees and related penalties and premiums and discounts that are an integral part of the overall return. Direct incremental transaction costs related to the acquisition, issue or disposal of a financial instrument are also taken into account.

Fees and commissions which are not an integral part of the effective interest rate are generally recognised when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan once drawn. Where it is unlikely that loan commitments will be drawn, loan commitment fees are recognised over the life of the facility.

1.3 Financial assets and liabilities

Financial assets are derecognised when the contractual right to receive cash flows from those assets has expired or when the Company has transferred its contractual right to receive the cash flows from the assets and either: substantially all of the risks and rewards of ownership have been transferred; or the Company has neither retained nor transferred substantially all the risks and rewards, but has transferred control.

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation is discharged), cancelled or expire.

Loans and Receivables

Loans and receivables include loans and advances to customers. Loans and receivables are initially recognised when cash is advanced to the borrowers at fair value inclusive of transaction costs. Financial assets classified as loans and receivables are accounted for at amortised cost using the effective interest method less provision for impairment.

The Company has entered into securitisation and similar transactions to finance certain loans and advances to customers. In cases where the securitisation vehicles are funded by the issue of debt, on terms whereby the majority of the risks and rewards of the portfolio of securitised lending are retained by the Company, these loans and advances continue to be recognised by the Company, together with a corresponding liability for the funding.

Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds net of transaction costs incurred. These instruments are subsequently stated at amortised cost using the effective interest method.

Notes to the financial statements (continued)

For the year ended 31 December 2017

1. Accounting policies (continued)

1.4 Impairment of Financial Assets

At each balance sheet date the Group assesses whether, as a result of one or more events occurring after initial recognition of the financial asset and prior to the balance sheet date, there is objective evidence that a financial asset or group of financial assets has become impaired.

Where such an event, including the identification of fraud, has had an impact on the estimated future cash flows of the financial asset or group of financial assets, an impairment allowance is recognised. The amount of impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. If the asset has a variable rate of interest, the discount rate used for measuring the impairment allowance is the current effective interest rate.

Subsequent to the recognition of an impairment loss on a financial asset or a group of financial assets, interest income continues to be recognised on an effective interest rate basis, on the asset's carrying value net of impairment provisions. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the allowance is adjusted and the amount of the reversal is recognised in the income statement.

Impairment allowances are assessed individually for financial assets that are individually significant. Impairment allowances for portfolios of smaller balance homogenous loans such as most residential mortgages that are below the individual assessment thresholds, and for loan losses that have been incurred but not separately identified at the balance sheet date, are determined on a collective basis.

In certain circumstances, the Company will renegotiate the original terms of a customer's loan, either as part of an ongoing customer relationship or in response to adverse changes in the circumstances of the borrower. Where the renegotiated payments of interest and principal will not recover the original carrying value of the asset, the asset continues to be reported as past due and is considered impaired. Where the renegotiated payments of interest and principal will recover the original carrying value of the asset, the loan is no longer reported as past due or impaired provided that payments are made in accordance with the revised terms. Renegotiation may lead to the loan and associated provision being derecognised and a new loan being recognised initially at fair value.

A loan or advance is normally written off, either partially or in full, against the related allowance when the proceeds from realising any available security have been received or there is no realistic prospect of recovery and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of impairment losses recorded in the income statement. For secured retail balances, the write-off takes place only once an extensive set of collections processes has been completed, or the status of the account reaches a point where policy dictates that forbearance is no longer appropriate.

1.5 Taxation, including deferred income taxes

Tax expense comprises current and deferred tax. Current and deferred tax are charged or credited in the income statement except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period, outside the income statement (either in other comprehensive income, directly in equity, or through a business combination), in which case the tax appears in the same statement as the transaction that gave rise to it.

Current tax is the amount of corporate income taxes expected to be payable or recoverable based on the profit for the period as adjusted for items that are not taxable or not deductible, and is calculated using tax rates and laws that were enacted or substantively enacted at the balance sheet date.

Current tax includes amounts provided in respect of uncertain tax positions when management expects that, upon examination of the uncertainty by Her Majesty's Revenue and Customs (HMRC) or another tax authority, it is more likely than not that an economic outflow will occur. Provisions reflect management's best estimate of the ultimate liability based on their interpretation of tax law, precedent and guidance, informed by external tax advice as necessary. Changes in facts and circumstances underlying these provisions are reassessed at each balance sheet date, and the provisions are re-measured as required to reflect current information.

Notes to the financial statements (continued)

For the year ended 31 December 2017

1. Accounting policies (continued)

1.6 Provisions and contingent liabilities

Provisions are recognised in respect of present obligations arising from past events where it is probable that outflows of resources will be required to settle the obligations and they can be reliably estimated.

Contingent liabilities are possible obligations whose existence depends on the outcome of uncertain future events or those present obligations where the outflows of resources are uncertain or cannot be measured reliably. Contingent liabilities are not recognised in the financial statements but are disclosed unless they are remote.

Provision is made for irrevocable undrawn loan commitments if it is probable that the facility will be drawn and result in the recognition of an asset at an amount less than the amount advanced.

1.7 Critical accounting estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates. Estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The significant estimates made by management in applying the Company's accounting policies and the key sources of estimation uncertainty in these financial statements, which together are deemed critical to the Company's results and financial position, are as follows:

- Allowance for impairment losses on loans and receivables (note 1.4); and
- Provisions for customer redress (note 12).

Impairment

The value of collateral supporting the Company's mortgage portfolio is estimated by applying changes in the house price indices to the original assessed value of the property. If average house prices were ten per cent lower than those estimated at 31 December 2017, the impairment charge would increase by approximately £24,000k.

In addition, the collective provision also includes provision for losses that have been incurred but have not been separately identified at the balance sheet date. The loans that are not currently recognised as impaired are grouped into homogenous portfolios by key risk drivers. Risk drivers for secured retail lending include the current indexed loan-to-value, previous mortgage arrears, internal cross-product delinquency data and external credit bureau data.

At 31 December 2017, the Company carried a provision of £193,350k (2016:£222,493k) in respect to future impairment losses on the current loans and advances.

Determining the amount of provision requires judgement around the probability of default, expected recovery amount and wider long term economic trends. Consequently the continued appropriateness of the underlying assumptions are reviewed on a regular basis against actual experience and adjustments are made to the provisions where appropriate.

Redress

At 31 December 2017, the Company carried a provision of £21,439k (2016: £21,044k) in respect to customer redress payments in relation to the fees charged on Mortgage accounts and post contract documentation which has been judged non –compliant with the consumer credit act.

Determining the amount of provision requires judgement on the number of accounts and average cost of redress. Consequently the continued appropriateness of the underlying assumptions are reviewed on a regular basis against actual experience and adjustments are made to the provisions where appropriate.

1.8 Sale and repurchase agreements (including securities lending and borrowing)

Securities sold subject to repurchase agreements (repos) continue to be recognised where substantially all of the risks and rewards are retained. Funds received under these arrangements are included in amounts due from other related parties and amounts due to other related parties (note 15).

Securities borrowing and lending transactions are typically secured; collateral take the form of securities or cash advanced or received. Securities lent to counter parties are retained on the Statement of financial position. Securities borrowed are not recognised on the Statement of financial position unless they are sold to third parties, in which case the obligation to return them is recorded at fair value as a trading liability. Cash collateral given or received is treated as a loan or receivable or a customer deposit.

Notes to the financial statements (continued)
For the year ended 31 December 2017

1. Accounting policies (continued)

1.9 Deemed loan from Deva Financing plc

Under IFRS, if a transferor retains substantially all the risks and rewards associated with the transferred assets, the transaction is accounted for as a financing transaction, notwithstanding that it is a sale transaction from a legal perspective. The directors of the Company have concluded that the Company has retained substantially all the risks and rewards of the pool of mortgage loans and as a consequence the Company continues to recognise the mortgage loans on its Statement of financial position.

The initial amount of the deemed loan from Deva Financing plc corresponds to the consideration paid by Deva Financing plc for the mortgage loans less the subordinated loan granted by the Company. Deva Financing plc recognises principal and interest cash flows from the underlying pool of mortgage loans only to the extent that it is entitled to retain such cash flows. Additionally, the directors of the Company consider that the subordinated loan does not meet the definition of a liability as Deva Financing plc will repay the subordinated loan to the Company only if it first receives an equivalent amount from the Company.

The deemed loan to the Company from Deva Financing plc is classified within "amounts due to group undertakings". The initial measurement is at fair value with subsequent measurement being at amortised cost using the effective interest method. The effective interest on the deemed loan is calculated with reference to the interest earned on the beneficial interest in the mortgage portfolio.

2. Net interest income

	2017 £'000	2016 £'000
Interest income		
Group interest income (see note 15)	**24,445**	28,451
From loans and advances to customers	**208,572**	242,185
	233,017	270,636
Interest expense		
Group interest expense (see note 15)	**(115,666)**	(156,528)
Net interest income	**117,351**	114,108

Included within Interest income is £14,173k (2016: £14,093k) in respect of impaired financial assets.

3. Administrative expenses

	2017 £'000	2016 £'000
Management fees (see note 15)	**6,300**	2,729
Other operating expenses	**10,722**	7,212
	17,022	9,941

In the course of its business, the Company will, through its ultimate parent, Lloyds Banking Group, be engaged in discussions with the PRA, FCA and other UK regulators and other governmental authorities on a range of matters. Complaints and claims are also received from customers in connection with its past conduct and, where significant, provisions are held against the costs expected to be incurred as a result of the conclusions reached.

See note 12 for details in the movement of provisions during the year.

4. Impairment gains/(losses)

	2017 £'000	2016 £'000
Write offs	**(12,624)**	**(18,317)**
Recoveries	**2,147**	**6,126**
Unwind of impairment discount	**6,543**	**6,927**
Decrease / (Increase) in provision (see note 16.1)	**29,143**	**(10,906)**
	25,209	**(16,170)**

Notes to the financial statements (continued)

For the year ended 31 December 2017

5. Profit before tax

The following items have been included in arriving at Profit before tax

	2017 £'000	2016 £'000
Income		
Fees receivable	**136**	168
Expenses		
Interest payable to related undertakings (see note 15)	**115,666**	156,528
Management fees (see note 15)	**6,300**	2,729
Profit before tax	**125,674**	88,165

Accounting and administration services are provided by a related undertaking and are recharged to the Company as part of Management fees. The auditors remuneration of £50k (2016: £50k) was borne by the parent company.

6. Directors' emoluments

No director received any fees or emoluments from the Company during the year (2016: £nil). The directors are employed by other companies within the Group and consider that their services to the Company are incidental to their other responsibilities within the Group.

7. Taxation

a) Analysis of charge for the year	2017 £'000	2016 £'000
UK corporation tax:		
- Current tax on taxable profit before tax	**24,192**	17,713
- Transfer pricing payable	**-**	(80)
Current tax charge	**24,192**	17,633
Tax charge	**24,192**	17,633

Corporation tax is calculated at a rate of 19.25% (2016: 20.00%) of the taxable profit before tax.

b) Factors affecting the tax charge for the year

The UK corporation tax rate for the year was 19.25% (2016: 20.00%). An explanation of the relationship between tax expense and accounting profit is set out below:

	2017 £'000	2016 £'000
Profit before tax	**125,674**	88,165
Tax charge thereon at UK corporation tax rate of 19.25% (2016: 20.00%)	**24,192**	17,633
Tax charge on profit before tax	**24,192**	17,633
Effective rate	**19.25%**	20.00%

The Finance (No. 2) Act 2015 reduced the main rate of corporation tax to 19% with effect from 1 April 2017

Finance Act 2016 further reduced the main rate of corporation tax to 17% with effect from 1 April 2020

Notes to the financial statements (continued)
For the year ended 31 December 2017

8. Dividends

In 2017, dividends of a total value of £200,000k were paid (2016: £nil).

	2017 £'000	2016 £'000
Equity - ordinary		
Interim paid: £20.00 (2016: nil) per £1 share	200,000	-
	200,000	-

9. Other current assets

	2017 £'000	2016 £'000
Amounts due from group undertakings (see note 15)	**4,132,910**	6,666,120
Other debtors	**1,116**	1,130
	4,134,026	6,667,250

10. Loans and advances to customers

	2017 £'000	2016 £'000
Gross loans and advances to customers	**5,712,822**	6,475,376
Less: Impairment provision	**(193,350)**	(222,493)
Net loans and advances to customers	**5,519,472**	6,252,883
of which:		
Due within one year	**449,020**	345,724
Due after one year	**5,070,452**	5,907,159
	5,519,472	6,252,883

Securitisation transactions

Loans and advances to customers include residential mortgage balances that have been securitised but not derecognised, the carrying values of which are set out below together with any related liabilities. These mortgage loans are not derecognised because the Company remains exposed to the majority of the risk of any default in respect of them.

At the year end £3,379,818k of assets were subject to repurchase agreements (2016: £3,782,276k).

Securitisation	Type of Loan	Gross assets securitised 2017 £'000	Notes in issue 2017 £'000	Gross assets securitised 2016 £'000	Notes in issue 2016 £'000
Deva Financing plc	UK Residential Mortgages	**3,287,199**	**3,379,818**	3,823,794	3,782,276

In keeping with normal market practice, the Company enters into securities lending transactions and repurchase agreements, whereby cash and securities are temporarily received or transferred as collateral. Where the securities sold subject to repurchase or pledged as collateral are retained on the Statement of financial position the funds received under these arrangements are recognised as liabilities.

11. Borrowed funds

	2017 £'000	2016 £'000
Amounts due to group undertakings (see note 15)	**9,363,544**	12,532,971

Notes to the financial statements (continued)

For the year ended 31 December 2017

12. Provision for liabilities and charges

	Total £'000
At 1 January 2016	20,300
Charge for the year	6,484
At 31 December 2016	26,784
Charge for the year	10,619
Reversal of unused provision	(420)
Utilised during the year	(15,544)
At 31 December 2017	**21,439**

As at 31 December 2017, three provisions are being held totalling £21,439k (2016: £26,784k). One provision of £18,668k (2016: £21,044k) is being held in respect of repayments of fees applicable to mortgage accounts, the decrease being attributable to a £9,385k uplift in provision less redress repayments of £11,761k. The second provision of £2,119k (2016: £5,740k) relates to the issuance of post contract documentation that has been judged not compliant with the Consumer Credit Act. This provision has decreased due to redress payments of £3,201k and the release of £420k of unused provision. The final provision of £652k relates to a general redress provision for 2017. This has reduced from £1,234k due to redress payments of £582k made through the year. The combined provision represents an estimate of the likely future outflows to settle claims against the Company and the costs associated with processing these claims.

13. Share capital

	2017 £'000	2016 £'000
Allotted, issued and fully paid		
10,000,000 (2016: 10,000,000) ordinary shares of £1 each	***10,000***	10,000

Ordinary shares carry one vote each.

14. Transfer of Financial Assets

The Company enters into repurchase and securities lending transactions in the normal course of business that do not result in derecognition of the financial assets concerned. In all cases the transferee has the right to sell or repledge the assets concerned to the transferor

As set out within note 10, included within loans and receivables are loans securitised under the Group's securitisation programmes. The Company retains all or a majority of the risks and rewards associated with these loans and they are retained on the Company's Statement of financial position. Assets transferred into the securitisation programmes are not available to be used by the Company during the term of those arrangements.

The table below sets out the details of the repurchase agreements in place. For securitisation programmes, the associated liabilities represent the external notes in issue.

		Carrying value of transferred assets £'000	Carrying value of associated liabilities £'000
Loans and advances to customers	At 31 December 2017	3,379,818	3,379,818
Loans and advances to customers	At 31 December 2016	3,782,276	3,782,276

Notes to the financial statements (continued)
For the year ended 31 December 2017

15. Related party transactions

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of an entity. The Company's key management personnel are its directors, who consider that their duties in respect of the Company are incidental to their Group responsibilities. No director entered into transactions with the Company in the year.

As disclosed below, a management recharge is made by the immediate parent company to cover the costs of administration and other services provided to the Company. The auditors' remuneration of £50k (2016: £50k) was borne by the parent company.

Banking transactions are entered into by the Company with Lloyds Banking Group plc and its subsidiaries in the normal course of business and on normal commercial terms.

A summary of the outstanding balances at the year end and the related income and expense for the year is set out below.

	2017 £'000	2016 £'000
Amounts due from group undertakings		
Amounts due from Parent	**3,972,776**	5,237,826
Amounts due from other related parties	**160,134**	1,428,294
Total Amounts due from group undertakings (see note 9)	**4,132,910**	6,666,120
Amounts due to group undertakings		
Amounts due to Parent	**9,188,943**	11,410,170
Amounts due to other related parties	**174,601**	1,122,801
Total Amounts due to group undertakings	**9,363,544**	12,532,971

Interest on the deposit and the repurchase liability with BoS plc is charged at 3 month Libor plus margin.

For amounts owed by Deva Financing plc, the effective interest on this deemed loan is calculated with reference to the interest earned on the beneficial interest in the mortgage portfolio. No interest is charged on amounts owed to Deva Financing plc although a notional interest is payable representing fees and charges.

Interest on other intercompany amounts owed to BoS plc is charged at 3 month rolling average Libor plus an internal liquidity transfer pricing rate and is repayable on demand.

	2017 £'000	2016 £'000
Interest income		
Interest income from Parent	**24,445**	28,451
Total Interest income (see note 2)	**24,445**	28,451
Interest expense		
Interest expense with Parent	**115,666**	156,528
Total Interest expense (see note 2)	**115,666**	156,528

Notes to the financial statements (continued)
For the year ended 31 December 2017

15. Related party transactions (continued)

	2017 £'000	2016 £'000
Management fees		
Management fees from Parent	**6,300**	2,729
Total Management fees (see note 3)	**6,300**	2,729

16. Financial risk management

The Company's operations expose it to credit risk, liquidity risk, interest rate risk, market risk, and business risk; it is not exposed to any significant foreign exchange risk. Responsibility for the control of overall risk lies with the board of directors, operating within a management framework established by the immediate parent company, Bank of Scotland plc, and the ultimate parent, Lloyds Banking Group plc. Interest rate hedges are used to mitigate interest rate risk relating to a proportion of the Company's intercompany borrowings. The remaining interest rate and liquidity risk faced by the Company is in substance managed and borne by other group undertakings which fund the Company and credit risk is carefully monitored by Retail Finance's credit committee and credit functions. Business risk is managed through regular reporting and oversight.

A description of the Company's financial assets/liabilities and associated accounting is provided in note 1.

16.1 Credit risk

Credit risk management

The Company's credit risk exposure arises in the UK.

The maximum credit risk exposure of the Company in the event of other parties failing to perform their obligations is detailed below. No account is taken of any collateral held and the maximum exposure to loss in considered to be the Statement of financial position carrying amount.

Loans and advances to customers – maximum exposure

	2017 £'000	2016 £'000
Neither past due nor impaired	**4,949,784**	5,596,040
Past due but not impaired	**365,411**	470,495
Impaired	**397,627**	408,841
Total	**5,712,822**	6,475,376

Classifications of lending incorporate expected recovery levels for mortgages, as well as probabilities of default assessed using internal rating models. Good quality lending includes the lower assessed default probabilities and all loans with low expected losses in the event of default, with other categories reflecting progressively higher risks and lower expected recoveries.

Past due is defined as failure to make a payment when contractually due.

Loans and advances to customers which are neither past due nor impaired

	2017 £'000	2016 £'000
Good quality	**4,921,127**	5,563,963
Satisfactory quality	**26,406**	30,247
Lower quality	**1,044**	1,149
Below standard, but not impaired	**1,207**	681
Total	**4,949,784**	5,596,040

Classifications of lending incorporate expected recovery levels for mortgages, as well as probabilities of default assessed using internal rating models. Good quality lending includes the lower assessed default probabilities and all loans with low expected losses in the event of default, with other categories reflecting progressively higher risks and lower expected recoveries.

Past due is defined as failure to make a payment when contractually due.

Notes to the financial statements (continued)
For the year ended 31 December 2017

16. Financial risk management (continued)

16.1 Credit risk (continued)

Loans and advances to customers which are past due but not impaired

	2017 £'000	2016 £'000
Past due up to 30 days	**172,759**	214,746
Past due from 30-60 days	**68,965**	92,881
Past due from 60-180 days	**123,687**	162,868
Total	**365,411**	470,495

Loans and advances to customers which are impaired

Loans and advances are deemed to be impaired if they are in arrears by 180 days or more. Loans and advances to customers of £397,627k (2016: £408,841k) are all in arrears by over 180 days. No amounts to Group companies are impaired (2016: £nil).

An analysis by loan-to-value ratio of the Company's residential mortgage lending is provided below. The value of collateral used in determining the loan-to-value ratios has been estimated based upon the last actual valuation, adjusted to take into account subsequent movements in house prices, after making allowance for indexation error and dilapidations.

	2017 £'000	2016 £'000
Less than 70%	**3,729,140**	3,950,729
70% to 80%	**1,021,367**	1,120,597
80% to 90%	**552,014**	832,056
90% to 100%	**137,707**	318,502
Over 100%	**272,594**	253,492
Total	**5,712,822**	6,475,376

Allowance for loans and advances to customers which are impaired

	2017 £'000	2016 £'000
Provision for impairment as at 1 January	**222,493**	211,587
Movement in provision (see note 4)	**(29,143)**	10,906
Provision for impairment as at 31 December	**193,350**	222,493

Repossessed collateral

During 2017, the Company obtained assets with a carrying value of £26,006k (2016: £28,033k) as a result of the enforcement of collateral held as security. The Company does not take physical possession of any collateral; instead it uses agents to realise the collateral's value as soon as practicable, usually at auction, to settle indebtedness. Any surplus funds are then returned to the borrower or are otherwise dealt with in accordance with appropriate insolvency regulations.

Notes to the financial statements (continued)
For the year ended 31 December 2017

16. Financial risk management (continued)

16.2 Liquidity risk

The Company is deemed to have low exposure to the risk of being unable to meet its financial obligations as they fall due or only being able to do so at an unacceptably high cost. This is because the Company is funded by companies within Lloyds Banking Group plc and, as a result, liquidity risk is managed within the Group.

The liquidity table below is a contractual maturity analysis for all financial liabilities, based on the earliest date the entity could be expected to repay the amounts owed.

As at 31 December 2017	Less than 1 month £'000	1-12 months £'000	1-5 years £'000	>5 years £'000	**Total £'000**
Borrowed funds	5,663,545	500,000	1,845,161	1,354,838	**9,363,544**
Contractual interest payments	-	4,801	92,049	149,662	**246,512**

As at 31 December 2016	Less than 1 month £'000	1-12 months £'000	1-5 years £'000	>5 years £'000	**Total £'000**
Borrowed funds	7,232,971	945,161	2,654,839	1,700,000	**12,532,971**
Contractual interest payments	-	8,703	116,363	220,382	**345,448**

All other funding is repayable on demand, although there is no expectation that such a demand would be made. All other financial liabilities are repayable on demand.

16.3 Interest rate risk

The directors regard the primary market risk faced by the Company to be adverse movements in interest rates impacting upon interest receivable on Loans and Advances to customer and therefore interest rate margins. Interest rate risk exists where the Company's financial assets and liabilities have interest rates set under different bases or are reset at different times.

The risk is managed using an earnings at risk methodology.

A sensitivity analysis has been performed as at 31 December 2017 to assess the impact on interest margins being 50 basis points higher or lower with all other variables held constant. The Company has taken a prudent approach to this analysis by assuming that any basis point movement would be completely reflected in all variable products. The net effect on the Company's Statement of comprehensive income would be as shown in the following table:

	-50bps £'000	Profit before taxation £'000	+50 bps £'000
2017	95,204	125,674	156,144
2016	58,123	92,495	126,867

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates the years in which they contractually mature:

2017	Less than 1 year £'000	Between 1-2 years £'000	Between 2-5 years £'000	5 years or more £'000	**Total £'000**
Loans and advances to customers	449,020	170,880	648,890	4,250,682	**5,519,472**
Interest-bearing loans and borrowings	6,163,545	800,000	1,045,161	1,354,838	**9,363,544**

Notes to the financial statements (continued)

For the year ended 31 December 2017

16. Financial risk management (continued)

16.3 Interest rate risk (continued)

2016	Less than 1 year £'000	Between 1-2 years £'000	Between 2-5 years £'000	5 years or more £'000	**Total £'000**
Loans and advances to customers	345,720	285,730	593,730	5,027,703	**6,252,883**
Interest-bearing loans and borrowings	8,178,132	1,154,839	1,500,000	1,700,000	**12,532,971**

16.4 Fair values of financial assets and liabilities

Financial instruments include financial assets and financial liabilities. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

In 2017, the carrying amount of loans and advances to customers is £5,519,472k (2016: £6,252,883k). The carrying amount of loans and advances to customers represent a reasonable approximation of fair value, which for 2017 is £5,552,132k (2016: £6,269,003k).

The Company has provided loans and advances to customers on fixed, tracker and variable rate bases. The carrying value of the variable rate loans is assumed to be their fair value. For fixed and tracker rate lending, fair value is estimated by discounting anticipated cash flows (including interest at contractual rates) at market rates for similar loans offered by the Company and other financial institutions.
The carrying value of all other assets and liabilities are considered an approximation of fair value.

16.5 Financial assets and liabilities available for offsetting

Within the loans and advances and amounts owed to group companies in note 15, all current asset and current liability amounts are shown gross. Amounts available for offsetting in accordance with IAS32 are offset within these financial statements.

16.6 Capital disclosures

The managed capital of the Company constitutes total equity. This consists entirely of issued ordinary share capital and retained profit.

The Company is authorised and regulated by the Financial Conduct Authority ('FCA') and is subject to the FCA's capital resource requirements as set out by the FCA. Capital is actively managed at an appropriate level of frequency and regulatory capital levels are a key factor in the Company's budgeting and planning processes.

All FCA capital requirements imposed on the Company during the year were met.

On a quarterly basis it is assessed whether:

- Equity is in excess of capital requirements stated under MIPRU regulations;
- equity has exceeded capital requirements throughout 2017; and
- the Group will continue to support TMB in the event of a loss.

Notes to the financial statements (continued)

For the year ended 31 December 2017

17. Contingent liabilities

17.1 Contingent tax liability

The Company provides for potential tax liabilities that may arise on the basis of the amounts expected to be paid to tax authorities. This includes open matters where Her Majesty's Revenue and Customs ('HMRC') adopt a different interpretation and application of tax law which might lead to additional tax.

The Group has an open matter in relation to a claim for group relief of losses incurred in its former Irish banking subsidiary, which ceased trading on 31 December 2010. In 2013 HMRC informed the Group that their interpretation of the UK rules, permitting the offset of such losses, denies the claim; if HMRC's position is found to be correct management estimate that this would result in an increase in current tax liabilities for the company of approximately £26,061k (including interest). The Group does not agree with HMRC's position and, having taken appropriate advice, does not consider that this is a case where additional tax will ultimately fall due.

17.2 Contingent liabilities

During the ordinary course of business the Company is subject to complaints and threatened or actual legal proceedings (including class or group action claims) brought by or on behalf of current or former employees, customers, investors or other third parties, as well as legal and regulatory reviews, challenges, investigations and enforcement actions, both in the United Kingdom and overseas. All such material matters are periodically reassessed, with the assistance of external professional advisors where appropriate, to determine the likelihood of the Company incurring a liability. In those instances where it is concluded that it is more likely than not that a payment will be made, a provision is established to management's best estimate of the amount required at the relevant Statement of financial position date. In some cases it will not be possible to form a view, for example because the facts are unclear or because further time is needed to properly assess the situation, and no provisions are held in relation to such matters.

18. Future Accounting Developments

The following pronouncements are not applicable for the year ending 31 December 2017 and have not been applied in preparing these financial statements. Save as disclosed below, the impact of these accounting changes is still being assessed by the Company and reliable estimates cannot be made at this stage.

With the exception of certain minor amendments, as at 20 April 2018 these pronouncements have been endorsed by the European Union.

Pronouncement	Nature of change
IFRS 9 'Financial Instruments'	IFRS9 replaces IAS 39 'Financial Instruments: Recognition and Measurement' and is effective for annual periods beginning on or after 1 January 2018. The Company has chosen 1 January 2018 as its initial application date of IFRS 9 and will not restate comparative periods. *Classification and Measurement* IFRS 9 requires financial assets to be classified into one of three measurement categories, fair value through profit or loss, fair value through other comprehensive income or amortised cost. Financial assets will be measured at amortised cost if they are held within a business model the objective of which is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent solely payments of principal and interest. Financial assets will be measured at fair value through other comprehensive income if they are held within a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets and their contractual cash flows represent solely payments of principal and interest. Financial assets not meeting either of these two business models; and all equity instruments (unless designated at inception to fair value through other comprehensive income); and all derivatives are measured at fair value through profit or loss. An entity may, at initial recognition, designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch. The re-classification and measurement of assets under IFRS 9 will have no material impact on the Company.

Notes to the financial statements (continued)

For the year ended 31 December 2017

18. Future Accounting Developments (continued)

IFRS 9 'Financial Instruments' (continued)	*Impairment* IFRS 9 replaces the existing 'incurred loss' impairment approach with an expected credit loss ('ECL') model resulting in an earlier recognition of credit losses compared to IAS 39. The ECL has three stages. Entities are required to recognise a 12 month expected loss allowance on initial recognition (stage 1) and a lifetime expected loss allowance when there has been a significant increase in credit risk since initial recognition (stage 2). Stage 3 requires objective evidence that the asset is credit impaired, which is similar to the guidance on incurred losses in IAS 39. The new impairment methodology results in higher impairment provisions of £23,100k for Loans and Advances to Customers recognised on the Company's Statement of financial position. The total net of tax impact on retained profits is a reduction of £19,069k.
IFRS 15 'Revenue from Contracts with Customers'	IFRS 15 replaces IAS 18 'Revenue' and IAS 11 'Construction Contracts' and is effective for annual periods beginning on or after 1 January 2018. The core principle of IFRS 15 is that revenue reflects the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled. The recognition of such revenue is in accordance with five steps to: identify the contract; identify the performance obligations; determine the transaction price; allocate the transaction price to the performance obligations; and recognise revenue when the performance obligations are satisfied. The Company's current accounting policy is materially consistent with the requirements of IFRS 15 and, accordingly, no transition adjustments are required.
Minor amendments to other accounting standards	The IASB has issued a number of minor amendments to IFRSs effective 1 January 2018 (including IFRS2 Share-based Payment and IAS 40 Investment Property) and effective 1 January 2019 (including IAS12 Income Taxes and IFRIC 23 Uncertainty over Income Tax Treatments). These revised requirements are not expected to have a significant impact on the Company.

19. Ultimate parent undertaking and controlling party

The Company's immediate parent company is Bank of Scotland plc. The company regarded by the directors as the ultimate parent company and controlling party is Lloyds Banking Group plc (incorporated in Scotland), which is also the parent undertaking of the largest group of undertakings for which Group financial statements are drawn up and of which the Company is a member. Bank of Scotland plc is the parent undertaking of the smallest such group of undertakings. Copies of the Group financial statements of both companies may be obtained from Group Secretariat, Lloyds Banking Group plc, 25 Gresham Street, London EC2V 7HN. The Lloyds Banking Group plc financial statements may be downloaded via www.lloydsbankinggroup.com.